

Parliamentary Briefing

Sustainability and Corporate Social Responsibility

Our role

In 2002, the Association of Chartered Certified Accountants (ACCA) became the first professional body to be awarded the prestigious Queen's Award for Sustainable Development. We are also members of the advisory group of the Climate Disclosure Standards Board and of the Executive Board of the 'Accounting for Sustainability' project launched by HRH the Prince of Wales.

ACCA has been actively involved in the unfolding debate on sustainability and corporate social responsibility (CSR) since 1990. We promote transparency and best practice, and aim to help businesses and organisations realise the growing importance of sustainability to them. ACCA champions the extension of corporate reporting to include the social and environmental aspects of a business and has launched sustainability reporting awards with partners in Australia, Canada, New Zealand, Hong Kong, Malaysia, Pakistan, Singapore, South Africa, Sri Lanka, the UK, and the US.

Going Concern?, a new report by ACCA containing a series of recommendations for business on sustainability and corporate and social responsibility, recognises that the concept of sustainable development is critical to society and business today. The accountancy profession has an important role in defining and delivering the means by which sustainable development is measured and reported, for example, in evaluating the returns on low-carbon investment proposals and developing organisation-relevant greenhouse gas key performance indicators (KPIs) and related measurement protocols.

Summary of key points and recommendations

Highlights from the key policy areas and recommendations include:

1. Sustainable development and CSR

Few organisations are capable of achieving true sustainability in the short or medium term. To be fully sustainable, many will have to reconsider their entire range of operations, products and services. Most organisations, however, have both the desire and the capability to be socially responsible. We encourage all organisations to set a strategy so that their CSR agenda contributes to sustainable development.

- Organisations should, at a minimum, seek to be fully compliant with respect to all applicable corporate environmental and social welfare regulations, and recognise and build on the advantages of going beyond compliance.
- Organisations (including public sector bodies) should develop clearer understandings of what sustainability means for them and their range of products and services; where appropriate, they should also undertake formal consultation exercises engaging all internal and external stakeholders.

2. Corporate governance, strategy and sustainability: the importance of integration

As sustainability becomes increasingly important, and as financial stakeholders take more interest in the risks posed and opportunities afforded by it, organisations will need to focus more and more upon the implications of the sustainability debate. This can only be achieved if the concept is fully integrated into their operations and processes.

- Businesses should make sustainability issues a core part of their strategy, and that risk identification and management should be governed at board level.
- Organisations should report on the linkage between the sustainability issues they face and the corporate strategies they choose, including the financial implications of their most significant sustainability risks.

3. Climate change – how the accounting profession should respond

Climate change is not just an environmental issue. It can influence many other social and economic factors, such as poverty, health and economic development, and should be considered in this wider context. The accountancy profession needs to prioritise climate change, as accountants have a significant role to play in this area.

- Environmental regulators should work with accounting standard setters to develop a universally applicable climate change reporting and auditing standard for organisations of all sizes.
- All organisations should begin to measure and disclose their carbon footprints according to the principles set down by the World Resources Institute and the World Business Council for Sustainable Development in the WRI–WBCSD Greenhouse Gas Protocol.

4. Sustainability reporting: recognising the imperative for transparency

Although it is encouraging that of the top 100 companies in each of Europe, the US and the UK, 93%, 73% and 88% respectively produce some form of sustainability report, most businesses are unlisted companies or non-incorporated entities and the majority of these have not participated in any form of public sustainability reporting. In addition to this, public reporting is not yet sufficiently standardised, and concerns remain regarding the comparability and credibility of many published reports.

- Governments should continue to urge organisations of all sizes to produce appropriately structured sustainability reports.
- Environmental regulators should work with international accounting standard setters to develop a universally applicable climate change reporting standard for organisations of all sizes.
- Governments should consider the examples set recently by Sweden (whereby all Swedish state-owned enterprises will be required to undertake sustainability reporting based on the Global Reporting Initiative guidelines) and the Hong Kong administration (where all government departments are required to publish environmental reports).

5. Accounting in practice – the need to improve how we account for sustainability issues

Stakeholders are increasingly asking for meaningful information on environmental, social and economic impacts. The rise in ethical consumerism, shareholder activism and sophisticated use of internet technology, have made companies more accountable than ever to their stakeholders. It is now important to develop the existing environmental, sustainability and social accounting techniques.

- Organisations should begin to apply social and environmental accounting techniques to reflect more accurately their contribution to sustainable development and their impacts on society and the environment.
- Governments should accelerate the debate about the mix of policy instruments concerning creation of incentives, regulation and the limits to voluntary action.

For further Information or a hard copy of the document, please contact:

Veena Hudson

Public Affairs Manager

Veena.Hudson@accaglobal.com

0207 059 5615